Supreme Court, U.S.
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No. 96-969

IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

TEXAS INSTRUMENTS INCORPORATED,
Petitioner,

v.

CYPRESS SEMICONDUCTOR CORPORATION,
LSI LOGIC CORPORATION, and
VLSI TECHNOLOGY, INC.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY OF THE PETITIONER

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REPLY OF THE PETITIONER

Respondents' Opposition ("Opp.") confirms that certiorari should be granted.

Respondents do not dispute that this case is an appropriate vehicle for resolving the issue of what preclusive effect should be given to ITC determinations, nor do they dispute that the ITC and the later district court case reached diametrically opposed results concerning the same patents, parties, products and processes.[1]

1. The petition demonstrates (Pet. 15-25) that the decision below conflicts with decisions of the First, Second and Fourth Circuits, each of which has held that ITC determinations made pursuant to 19 U.S.C. § 1337 are entitled to preclusive effect in later district court litigation. *See Aunyx Corp. v. Canon U.S.A., Inc.*, 978 F.2d 3 (1st Cir. 1992), *cert. denied*, 507 U.S. 973 (1993); *Union Manufacturing Co., Inc. v. Han Baek Trading Co., Ltd.*, 763 F.2d 42 (2d Cir. 1985); *Baltimore Luggage Company v. Samsonite Corporation*, No. 91-2171, 1992 WL 296368 (4th Cir. Oct. 16, 1992). Apart from a single passage in the Senate Report, Respondents offer no possible basis for distinguishing between patent and non-patent ITC cases, and thus suggest no basis for distinguishing cases from other circuits holding that ITC determinations in non-patent cases are entitled to preclusive effect.[2]

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[1] Respondents' backhanded suggestions (Opp. 3-4) that the ITC proceeding focused on same-side gating, and that the district court proceeding was only about opposite-side gating, are incorrect. Opposite-side gating was at issue in both proceedings. Pet. App. 6a, 79a-83a; *see also* Pet. App. 36a n.1 (indicating that both types of processes were at issue in this case).

[2] Respondents are not helped by relying on a passage from the House Report to the Trade Act of 1974 suggesting that the ITC is not entitled to make patent validity determinations. *See* Opp. 15 n.7 (citing H.R. Rep. No. 571, 93d Cong., 1st Sess. 78 (1973)). That report addresses only the ITC's power to make validity determinations; it speaks not at all to the preclusive effect issue presented here. Respondents conceded below, in fact, that the "House Report was silent on the preclusive effect issue." *See* Defs.' C.A. Br. at 47. Nor are Respondents aided by

Relying on the Second Circuit's 1985 dictum from *Union Manufacturing*, Respondents suggest that these cases from other circuits are distinguishable because in patent cases "the ITC has no jurisdiction to determine patent validity except to the limited extent necessary to decide a case otherwise properly before it." *See* Opp. 8 (quoting *Union Mfg.*, 763 F.2d at 45). That is no distinction at all. For one, patent *validity* is not at issue here. The only question here is whether the *infringement* determination of the ITC is properly accorded preclusive effect. For another, the *Union Manufacturing* dictum has been superseded by statute. After the decision in that case, section 337 was amended in 1988 to elevate "the issues of patent validity and enforceability to elements of the cause of action, which effectively endowed the ITC with original jurisdiction over these issues. Prior to the [Omnibus Trade and Competitiveness Act of 1988], the ITC did not possess original jurisdiction over these issues, and they could only be pled in response to the complaint."[3]

2. The petition also demonstrated that the decision below conflicts with this Court's decision in *Shannon v. United States*, 512 U.S. 573 (1994). Pet. 22. Respondents do not and cannot distinguish this case from *Shannon*, which made clear that "a single passage of legislative history that is in no way anchored in the text of the statute" is not to be "given authoritative weight." 512 U.S. at 583. There is no text here to which the legislative

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relying on the Senate hearing testimony of "eminent patent attorney" Harvey Kaye (Opp. 13): Kaye's testimony had proposed that Congress *amend* section 337 to forbid preclusive effect, but that proposal was not adopted. That same eminent patent attorney concluded that "[w]hile the [Senate] Report addressed this issue in general, it nevertheless remains an open question, since the statute does not address the point." Kaye & Plaia, *Revitalization of Unfair Trade Cases in the Importation of Goods: An Analysis of the Amendments to Section 337 (Part II — Conclusion)*, 57 J.P.O.S. 269, 285 (1975). *See also* Pet. 23 n.13.

[3] Martin, *Preclusive Effect of Factual Determinations of the International Trade Commission With Regard to Patent Matters*, 62 U. Chi. L. Rev. 885, 902 (1995).

history related, as Respondents concede when they state that "the statutes are silent" on the issue of preclusive effect. Opp. 15.

Significantly, Respondents do not and could not dispute that parts of the Senate Report upon which they rely suggest that preclusive effect should be denied in both patent and non-patent cases. Opp. 14-15. The First, Second and Fourth Circuits obviously found this language to be unpersuasive. *See Aunyx*, 978 F.2d at 7-8; *Union Manufacturing*, 763 F.2d at 45; *Baltimore Luggage*, 1992 WL 296368 at *3-*4; *see also* Pet. 21-22.

3. The petition also demonstrates (Pet. 16-18) that the decision below conflicts with this Court's decisions in *United States v. Utah Construction & Mining Co.*, 384 U.S. 394 (1966), and *University of Tennessee v. Elliott*, 478 U.S. 788 (1986), both of which held that adjudicative administrative decisions are entitled to preclusive effect, and neither of which suggested that legislative history is a reliable guide to Congressional intent as to preclusive effect. Respondents are unable to distinguish these cases. Nor are they able to cite any other cases that have relied upon legislative history to deny preclusive effect. Respondents suggest that here, as in *Astoria Federal Savings & Loan Ass'n v. Solimino*, 501 U.S. 104 (1991), the text of the statute shows an intent to deny preclusive effect. To do that, they point not to the text of section 337, but to the text of *another* statute, the Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994), which provides that the record from an ITC proceeding may be admitted in a later district court action. *See* 28 U.S.C. § 1659(b). But nothing in *Solimino* suggests that provisions of another statute enacted years later can supply a statutory purpose to deny preclusive effect. More importantly, the House Report to the Uruguay Round Agreements Act refers to the need to "minimize duplication of proceedings between the ITC and Federal district courts" in order to come into compliance with the GATT.[4] It is inconceivable that a statute designed to "minimize

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[4] H. Rep. No. 103-465(I), 103d Cong., 2d. Sess. (1994)), *reprinted in* 1994 U.S.C.C.A.N. 3773, 3779.

duplication" was in fact meant to deny preclusive effect. To the contrary, as TI showed in the petition (Pet. 7), those amendments show a Congressional purpose to apply normal preclusion doctrines in ITC proceedings. In any event, admitting the record of a prior proceeding is necessary to determine identity of issues. As the Restatement (Second) of Judgments provides, the preclusive effect of a prior judgment "must be determined *on the basis of the whole record.*" RESTATEMENT (SECOND) OF JUDGMENTS § 19, cmt. h (emphasis added). *See* Opp. 16.

4. Respondents suggest that the issue is unimportant because of a supposed paucity of cases in the ITC. Opp. 10. The statistics cited by Respondents do not reflect the scope or importance of ITC proceedings. ITC cases typically involve multiple respondents.[5] Each ITC case may thus be the equivalent of several district court cases. Furthermore, the number of ITC proceedings has been increasing: six cases were filed in two months in 1996, which has been characterized as "going into overdrive" and as a "major uptick."[6] Merely stating the numbers of cases instituted in any one year gives short shrift to the importance, scale, and implications of each ITC investigation.

Under these circumstances, it is not surprising that commentators have specifically urged "the Supreme Court [to] interpret congressional intent to call for ITC patent decisions that are binding on district courts." *See* Rouse, *The Preclusive Effect of ITC Patent Fact Findings on Federal District Courts: A New Twist*

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[5] For example, *see Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing the Same*, Inv. No. 337-TA-372, (seven respondents); *Certain Microsphere Adhesives, Process for Making Same, and Products Containing Same, Including Self-Stick Repositional Notes*, Inv. No. 337-TA-366 (six respondents); and *Certain Memory Devices with Increased Capacitance and Products Containing Same*, Inv. No. 337-TA-371 (thirteen respondents).

[6] *See* ITC Trial Lawyers Association, *337 Reporter* at 1, Vol. XIII (Jan./Feb. 1996).

on In Re Convertible Rowing Exerciser Patent Litigation, 27 Loy. L.A. L. Rev. 1417, 1463 (1994).

5. Respondents assert (Opp. 5) that this Court has twice declined to address this issue in recent cases. But the fact that this Court has denied certiorari in those two cases presents no reason to deny certiorari in this case. *Weslo, Inc. v. Diversified Products Corp.*, 498 U.S. 897 (1990), involved a discretionary denial of an interlocutory appeal under 28 U.S.C. § 1292(b); the Federal Circuit had not even reached the preclusive effect question in denying the interlocutory appeal. *See In Re Convertible Rowing Exerciser Patent Litigation*, 903 F.2d 822, 822 (Fed. Cir.), *cert. denied*, 498 U.S. 897 (1990). *Bio-Technology General Corp. v. Genentech, Inc.*, 117 S. Ct. 274 (1996), raised only a due process issue and not a statutory construction issue,[7] and in any event did not involve an ITC disposition on the merits.[8] By contrast, the issue of the collateral estoppel to be afforded to ITC patent infringement determinations is squarely and properly presented in this case.

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[7] Petitioners urged that this Court consider:

> Whether a patent owner is barred by the doctrines of (a) claim preclusion or (b) unclean hands from seeking injunctive relief in a district court against a foreign manufacturer after being denied the same relief as a sanction imposed by the International Trade Commission, thereby depriving the manufacturer of due process of law?

Petition for Writ of Certiorari at i, *Bio-Technology General Corp. v. Genentech, Inc.*, 117 S. Ct. 274 (1996) (No. 96-282).

[8] The ITC dismissed the case with prejudice as a sanction for the complainant, Genentech's, misconduct in withholding material documents during the proceeding. Genentech later brought a district court action against Bio-Technology, and Bio-Technology sought to have that action barred by res judicata. It is far from clear that general principles of issue preclusion would bar subsequent claims. *See, e.g.* RESTATEMENT (SECOND) OF JUDGMENTS §§ 17, 27 (1982); *Cromwell v. County of Sac*, 94 U.S. 351, 359-60 (1876); *Russell v. Place*, 94 U.S. 606, 609 (1876).

6. Finally, Respondents urge two other reasons for denial of certiorari which are remarkable only for their clear irrelevance.

First, Respondents urge that it is "inappropriate" for this Court to grant certiorari and disturb "settled precedent" of the Federal Circuit. This argument is, to put it mildly, unusual. Even if the issue had been "settled" by the Federal Circuit, that would not preclude this Court from resolving the issue and establishing a "new" rule. This Court frequently grants certiorari to consider issues supposedly settled by one circuit in a manner that conflicts with this Court's decisions or decisions of other circuits. The issue here was not even settled at the circuit level before this case.

Second, Respondents suggest that the ITC has determined that its decisions should not be afforded preclusive effect in later district court litigation and that *Chevron* deference is therefore owed to that determination. *See* Opp. 18-19 (citing *Chevron, U.S.A., Inc. v. Natural Resources Defense Council*, 467 U.S. 837 (1984)). Respondents' sole basis for this argument is that an ITC opinion, almost 20 years ago, stated in a footnote — in reliance on the Senate Report — that its decisions were not entitled to preclusive effect. *See* Opp. 18 (citing *In Re Certain Synthetic Gemstones*, USITC Pub. 957, Inv. No. 337-TA-50 (ITC March 1979)) (p.6, n.3).[9]

The Federal Circuit did not rely on *Chevron* deference in this case or in any other case in which it considered the collateral estoppel of ITC patent infringement determinations, and Respondents did not urge *Chevron* deference below in this case.

There is good reason that neither the Federal Circuit nor Respondents relied upon *Chevron* to explain denying preclusive effect to ITC patent determinations: No deference is owed under

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[9] Respondents also cite to positions taken in amicus briefs submitted by the ITC. Opp. 18-19. Positions taken in appellate briefs are not entitled to *Chevron* deference. *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 212 (1988).

Chevron to the ITC's statements that its patent determinations are not entitled to preclusive effect.

Deference is not due where Congress has not charged the agency with adjudicating the issue. *Adams Fruit Co. v. Barrett*, 494 U.S. 638 (1990). In *Adams Fruit*, the Court rejected the Department of Labor's interpretation of a private right of action provision; the Department had concluded that the provision was inapplicable where state workers compensation benefits were available and purportedly exclusive. *Id.* at 648. While the Court noted that "Congress clearly envisioned . . . a role for the Department of Labor in administering the statute . . . This delegation, however, [did] not empower the Secretary to regulate the scope of the judicial power vested by the statute." *Id.* at 650. This Court also reasoned that "Congress has expressly established the Judiciary and not the Department of Labor as the adjudicator of private rights of action arising under the statute." *Id.* at 649.

Here too, Congress did not delegate to the ITC the task of administering that portion of the statute. Here too, the courts, and not the agency, are charged with adjudication of the issue. Just as this Court refused to defer to the agency interpretation in *Adams Fruit*, so too an ITC determination as to the preclusive effect here is not entitled to deference.

Certiorari should be granted.

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